

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2916 - SB 2903

March 7, 2012

SUMMARY OF BILL: Defines “exclusive provider provision,” “health insurer,” “hospital and medical services corporation,” and “insurer” as they relate to private act hospitals. Prohibits a private act hospital from entering into or renewing a provider network or contract with a hospital or medical service corporation that contains an exclusive provider provision as of July 1, 2015. An exclusive provider provision contained in a provider network agreement between a private act hospital and a hospital and medical service corporation is considered void and unenforceable as of July 1, 2015. Prohibits a private act hospital from entering into or renewing a provider network contract with a health insurer that contains exclusive provider provisions. An exclusive provider provision contained in a provider network contract between a private act hospital and a health insurer is considered void and unenforceable as of January 1, 2016. Limits the provisions of the bill to private act hospitals located in counties in which the hospital has 55 percent or more of the total nonpsychiatric hospital discharges within the county during one calendar year.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – If the amount of revenue realized by Jackson-Madison County General Hospital is reduced, there could be a fiscal impact to the City of Jackson and Madison County. Due to a number of unknown factors, an exact impact cannot be determined. Any fiscal impact to these local governments will not occur until FY15-16.

Assumptions:

- The provisions of the bill state that nothing shall be construed as to affecting the antitrust immunity granted to private act hospitals; affecting the ability of a private act hospital to negotiate reimbursement and other terms of a provider network agreement base on anticipated volume and types of patients; affecting terms and conditions of insurer provider network agreements; requiring any hospital to be a participant in an insurer’s provider network; requiring an insurer to enter into a provider contract agreement with any particular hospital; or affecting the discretion of an insurer as to how it configures and administers its provider networks.
- Based upon the hospital type and discharge criteria specified in the legislation, the proposed legislation will only apply to Jackson-Madison County General Hospital (81 percent of 2010 discharges) and the Regional Hospital of Jackson (19 percent of

discharges) in Madison County according to the Department of Health's Joint Annual Report for Hospitals, 2010.

- Jackson-Madison County General Hospital is a private act hospital that has a provider network agreement with BlueCross BlueShield of Tennessee that contains an exclusive provider provision.
- According to the Department of Finance and Administration, and based on the disparity in the distribution of discharges from the two facilities and the broader and more specialized array of services that are available from Jackson-Madison County General Hospital, there should not be a significant change in the substantial price considerations through provider network participation agreements.
- According to the Department, it is unlikely that the proposed legislation will have a significant impact on the benefit payments by the State, Local Education, and Local Government Health Plans or the financial support provided by the state, local education agencies, counties, or municipalities to their employees to participate in health insurance.
- Both hospitals are participating providers in the TennCare program; therefore, no direct cost impact on the TennCare program.
- There could be secondary economic impacts to both the City of Jackson and Madison County. Jackson-Madison County General Hospital is a joint instrumentality of the city and county. Reduced revenue to the hospital can impact the amount of care the hospital provides to local inmates and the amount of direct payments to the City of Jackson and Madison County. The amount of impact is unknown and would not occur until FY15-16.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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